

How to Sell Timber

Tennessee Department of Agriculture, Division of Forestry



Following these steps should assure a landowner of a fair price, protection of the land, proper tax treatment, and freedom from legal problems.

Keep good records for tax purposes and educate yourself about federal timber taxation. Most tax preparers and many IRS agents are unfamiliar with the rules, but most foresters are. Excellent web sites on this subject include
www.southernregion.fs.fed.us/spf/taxtips/
www.web.com-taxtips
www.fnr.perdue.edu/ttax
www.irs.ustreas.gov
[www.fs.fed.us/spf/coop/Forest%20 Tax. %20Guide31201.pdf](http://www.fs.fed.us/spf/coop/Forest%20Tax.%20Guide31201.pdf)

Get professional help. A *State area forester* can give you valuable advise, planning assistance, and a list of consulting foresters. *Consulting foresters* will work on your behalf to get top dollar while meeting your other objectives. The cost of the commission is well worth it.

Know what you have in terms of timber volume and quality. Quality (grade) makes a tremendous difference in price received. Only an expert can accurately determine grade.

Decide when to sell. Over the past few decades timber prices have risen on average about 5-10% per year, depending on grade and species. However, the timber market is cyclical, so try to wait out the lows and sell when prices are up. Also, consider the maturity of your timber. Is it too young or too old? Young timber is just entering its most productive years, but it is not yet worth much. Old timber may actually be losing volume.

Circumstances may sometimes dictate that you harvest timber immediately to salvage damaged timber and reduce the threat of loss from insects, disease or fire.

Consider other objectives and make a long-range plan for your land. Timber harvest is a great opportunity to improve your woods for decades to come. Prior to harvest, decide on important questions like regenerating the next stand and protecting your land's productivity.

Survey and mark boundaries to avoid disputes.

Decide on a sale method. You can sell by shares, pay-as-cut, or lump sum. The latter is usually best for the seller *when done by sealed bid* because competition generates higher prices. For a few sellers, pay-as-cut can offer decided tax advantages by allowing capital gains treatment. Negotiating a price and payment method may be appropriate where special sale conditions limit the number of interested and qualified bidders.

Invite bids and conduct a show-me tour. A consultant can handle this for you. Bid invitations should include a location map, date of tour, date/time & location of bid opening, terms of payment, timber volume summary, bid form, information about the performance bond, and a statement of the seller's right to refuse bids.

Open the bids & negotiate the contract with the highest *acceptable* bidder. Collect any deposit or performance bond agreed upon. Prepare a copy of the contract for the buyer as well as for yourself.

Prepare a contract to protect both buyer and seller. One of the most important elements in timber sale contracts is a verification of the seller's legal ownership of the timber to be sold and its freedom from liens or other encumbrances. The contract should also include a description of the timber for sale, the selling price, terms of payment, which timber will be cut and not, time allowed to cut and remove timber, and a requirement to follow Best Management Practices. Other provisions can be added, but these may restrict bidders and lower the price paid. Your forester or Extension agent can supply a sample contract

Inspect the logging operation often to be sure that the contract provisions are followed. A consulting forester can do this if desired.

Follow through by retiring the sale area and taking steps to assure future productivity. For example, install water bars and seed skid trails and landings, if not done by the contractor, and cut or deaden residual undesirable trees.

Version 7-01